

Message Text

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ACTION EB-08

INFO OCT-01 AF-10 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05 SS-15
STR-05 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 SOE-01
OMB-01 DOE-12 /098 W
-----001241 231101Z /23

R 230855Z DEC 77
FM AMEMBASSY LAGOS
TO SECSTATE WASHDC 5561
INFO AMCONSUL IBADAN
AMCONSUL KADUNA

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E.O. 11652: GDS
TAGS: ECON, EFIN, NI
SUBJECT: NIGERIA PLANS SHARP REDUCTION IN GOVERNMENT PURCHASES
IN 1978

1. A SIGNIFICANT REDUCTION IN GOVERNMENT SPENDING PROMISES TO AFFECT THE NIGERIAN ECONOMY IN 1978. SUMMARY OF DECEMBER 14 FEDERAL EXECUTIVE COUNCIL (FEC) MEETING WAS LEAKED TO ECON COUNSELOR ON DECEMBER 21. DOCUMENT REVEALS THAT FEC SESSION CONCENTRATED ON THE "SERIOUSLY DETERIORATING FINANCIAL SITUATION" AND THE NEED FOR ACTION TO PREVENT FURTHER DECLINE. ACCORDING TO FEC FINDINGS, FINANCIAL COMMITMENTS FOR ONGOING PROJECTS CURRENTLY ARE THREE TIMES THE AMOUNT OF AVAILABLE FUNDS. AS A RESULT, AN "EMBARGO" ON ALL GOVERNMENT CONTRACTS "BOTH ABOVE AND BELOW" ONE MILLION NARIA (SIC.) WILL BE IMPOSED DURING THE FIRST SIX MONTHS OF CY 1978.

2. LETTERS WRITTEN BY THE RESPECTIVE PERMSECS ARE BEING CIRCULATED THIS WEEK WITHIN ALL MINISTRIES ADVISING THAT NO NEW CONTRACTS WILL BE ENTERED INTO EXCEPT THOSE WHICH ARE CRUCIAL TO THE SECURITY OR WELFARE OF THE NATION.

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3. GOVERNMENT SPOKESMEN BELIEVE THAT THE FEC DIRECTIVE IS IN DEADLY EARNEST. THEY EXPECT A SIGNIFICANT CUTBACK IN PURCHASING FROM BOTH FOREIGN AND DOMESTIC SOURCES BEYOND THE SIX MONTH PERIOD. PROJECTS ALREADY UNDERWAY PRESUMABLY WILL GO FORWARD BUT MORE SLOWLY UNDER REDUCED FUNDING. MOST NEW PROJECTS WILL NOT BE STARTED. OBSERVERS UNDERSTANDABLY FORESEE A CONSEQUENT IMPACT ON

PRIVATE SECTOR BUYING BUT THE DIMENSIONS CAN PROBABLY
NOT BE ESTIMATED UNTIL MID-FEBRUARY.

4. ONE OF THE FIRST SECTORS HIT WILL BE CONSTRUCTION. THE MINI-
STRY OF DEFENSE IS NOW MOVING TO STOP NEW AWARDS FOR ITS LARGE
BARRACKS PROGR LX. THE WILLINGNESS OF ARMY CHIEF OF STAFF DANJUMA
TO SHELVE THIS PROJECT DESPITE THE IMPORTANCE HE HAS CONSISTENTLY
GIVEN IT INDICATES THE SERIOUSNESS OF THE SITUATION.

5. COMMENT: VIRTUALLY ALL THOSE WHO HAVE COMMENTED ADMIT SUR-
PRISE OVER THE SUDDENNESS AND SEVERITY OF THE NEW RULING, ANOTHER
ACTION REFLECTING THE LACK OF A VIABLE DATA GATHERING SYSTEM
WHICH THEORETICALLY WOULD HAVE WARNED OF THE FINANCIAL SQUEEZE
AHEAD AND REINED IN EXCESSIVE SPENDING LONG BEFORE NOW.
THE DIRECTIVE IS ALSO AN EXAMPLE OF THE FMG'S TENDENCY TO PLUNGE
FORWARD WITH A MINIMUM OF PRIOR DISCUSSION AND SCANT EXAMINATION
OF POSSIBLE RAMIFICATIONS. AS SITUATION CLARIFIES OVER COMING
WEEKS WE WILL OF COURSE ENDEAVOR ASSESS SIGNIFIANCE FOR US
INTERESTS.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOVERNMENT EXPENDITURES
Control Number: n/a
Copy: SINGLE
Sent Date: 23-Dec-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
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Disposition Remarks:
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Handling Restrictions: n/a
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Line Count: 82
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Litigation History:
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